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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)

PUBLIC UTILITIES COMMISSION)

Docket No. 05-0002

Instituting a Proceeding to Investigate the)
Issues and Requirements Raised by, and)
Contained in, Hawaii Revised)
Statutes 486H, as amended.)
_____)

PUBLIC UTILITIES
COMMISSION

2005 DEC - 1 P 2:44

FILED

MID PAC PETROLEUM, LLC'S SUBMISSION IN
RESPONSE TO ORDER NO. 22056

and

CERTIFICATE OF SERVICE

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Attorney for Mid Pac Petroleum, LLC

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MID PAC PETROLEUM, LLC'S SUBMISSION IN RESPONSE TO ORDER NO. 22056

In response to the Commission's Order No. 22056, filed on September 28, 2005, as extended by letter dated November 2, 2005, Mid Pac Petroleum, LLC ("MPPL"), one of the members of the Hawaii Petroleum Marketers Association, hereby submits its preliminary costs to comply with the ethanol blending requirements, which will take effect on or about April 2006, as well as its proposal to account for same as an adjustment to the HRS § 486H-13 factors.

Initially MPPL must reiterate that although considered a potential problem earlier, it can now be stated with confidence that attempting to mandate; (1) gas caps and (2) ethanol, truly does approach "a confluence of regulatory actions involving both the gas caps and ethanol which will likely create high and capital investment uncertainty."¹ MPPL's response, attempts in good faith to address these concerns while attempting to balance the interest of the various parties. However, it must be recognized that any suggested solution cannot characterize itself

¹ Order No. 22056 (citing Decision and Order No. 21952 which cites ICF response to HPMA-IR-38.

as “definitive” until actually tested within the environment in which it is meant to affect. Subject to these concerns, MPPL submits the following:

MPPL proposal to account for the mandated ethanol blending requirements is in two parts; (1) the estimated cost data that MPPL has, to date, covering required modifications to its tanks and equipment, which are necessary to enable MPPL to store, blend, and deliver the required gasoline/ethanol blend, and (2) a pass through mechanism for ethanol costs to include, among other items, ethanol’s purchase, storage, shipping, delivery and redelivery to the retail stations.

I. Cost Data

As the information being provided consists of proprietary and confidential pricing and marketing information, which will cause MPPL irreparable harm if released, it is being submitted under seal pursuant to Order No. 21669 in the attached sealed envelopes.

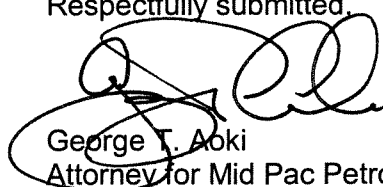
II. Product (ethanol) costs:

There is no one cost adjustment factor that can be equitably applied to all suppliers and wholesalers to account for the importation of ethanol into the State. It is expected that such costs will vary dramatically among suppliers, depending on timing, volume lifted, location, and shipping. To equitably address these differences among the parties and ensure that no one is negatively impacted by complying with the ethanol mandate, it is suggested that a costing mechanism, which allows such ethanol costs to be treated as a direct pass-through, may be the only equitably and reasonable way to deal with the issue of how to account for individual differences in ethanol costs, while maintaining a gas cap on wholesale gasoline prices. In other words, gasoline cost would be regulated by the gas cap with ethanol costs treated as an add-on. Oversight can be provided by having each wholesaler report, on a confidential basis, their

cost to import ethanol into the State with a break down of such costs to the extent necessary for the Commission to reasonably audit compliance.

DATED: Honolulu, Hawaii, DECEMBER 1, 2005.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "G. Aoki", is written over the printed name and title.

George T. Aoki
Attorney for Mid Pac Petroleum, LLC

CERTIFICATE OF SERVICE

I hereby certify that on December 1, 2005, I served copies of the foregoing, together with this Certificate of Service, either by United States mail, postage prepaid, or by hand-delivery to the following:

Jon S. Itomura, Esq.
Counsel for Division of Consumer Advocacy
Department of Commerce and Consumer Affairs
P.O. Box 541
Honolulu, Hawaii 96809

With attached sealed envelope

Michael H. Lau, Esq.
Kent D. Morihara, Esq.
Ishikawa, Morihara, Lau & Fong LLP
Counsel for Chevron USA
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Craig I. Nakanishi, Esq.
Rush Moore LLP
Counsel for Tesoro Hawaii Corporation
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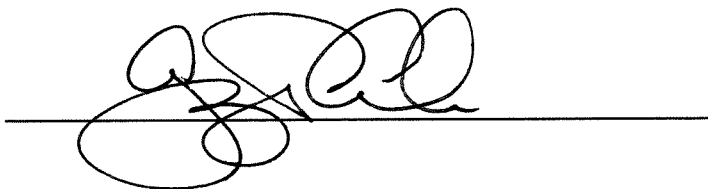
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DATED: Honolulu, Hawaii, December 1, 2005.

A handwritten signature in black ink, appearing to be 'J. Itomura', is written over a horizontal line.